

## Directors' Report

The Directors present the Annual Report together with the Company's audited accounts for the year ended June 30, 2009.

### OPERATING RESULTS

	<u>2009</u>	<u>2008</u>
	Rupees in thousand	
Net sales	1,035,617	1,085,373
Gross profit	256,110	329,841
Profit from operations	20,421	143,445
Profit before tax	14,239	141,808
Profit after tax	3,882	96,818
Earnings per share (diluted)	Rs.0.41	Rs.10.26

### OPERATING RESULTS

During the fiscal year 2008-09 we saw an overall decline in consumption of, 'to be prepared beverages'. Even at lower volumes, Tang maintained its leadership in powdered beverages and managed to grow its market share.

This decline in consumption could be attributed to consumers rationalizing their purchases between essential food items and branded food and beverage products due to high inflation.

Besides other factors affecting business profitability, the changes in consumers consumption of this category had an adverse effect on Tang's volumes.

During the current year gross sales were marginally down by 4% from Rs.1,383 million last year to Rs.1,332 million this year.

Net sales during the same period were down by 5% from Rs.1,085 million last year to Rs.1,035 million during the current year.

Gross profits were however down 22%. The main reasons for this were :

The devaluation of the Pakistani rupee by 19%, raising overall input costs.

High inflation in the country.

World wide increase in the price of sugar.

A massive increase in the price of flavouring pre mix.

Inadequate increase in the selling price of the product to recover enhanced costs.

The Company's profit before tax fell considerably from Rs.141.808 million to Rs.14.239 million.

Consequently earning per share for the year fell drastically from Rs.10.26 last year to Rs.0.41 this year.

#### CONTRIBUTION TO THE NATIONAL ECONOMY

The Company's contribution to the exchequer in the form of taxes etc. which includes income tax, sales tax, customs duty, workers profit participation and welfare funds, decreased marginally this year. During the current year this contribution amounted to Rs. 279.772 million as compared to Rs. 339.586 million during the previous year.

#### AUDITORS

The auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retired and offered themselves for re-appointment. The Audit Committee and the Board of Directors of the Company have endorsed their re-appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

#### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to state that all necessary steps have been taken to comply with the requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the Statements on Corporate and Financial Reporting frame work:

- ✓ The financial statements prepared by the management of the Company, represent fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- ✓ Proper books of accounts have been maintained by the Company.
- ✓ Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- ✓ In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.
- ✓ The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- ✓ There are no doubts upon the Company's ability to continue as a going concern.
- ✓ There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- ✓ The summary of key operating and financial data of the Company of last six years is annexed in this report.
- ✓ Information about taxes and levies is given in the notes to the accounts.
- ✓ The value of investments made by the staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2009 is as follows:

	(Rupees in million)
Provident Fund	26.860
Gratuity Fund	4.300

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

	No. of Meetings Attended
Mr. Iqbal Ali Lakhani	03
Mr. Zulfiqar Ali Lakhani	04
Mr. Amin Mohammed Lakhani	03
Mr. Tasleemuddin Ahmed Batlay	03
Mr. A. Aziz H. Ebrahim	04
Mr. M. A. Qadir	04
Mr. Shahid Ahmed Khan	03

Leave of absence was granted to Directors who could not attend some of the Board meetings.

## BOARD OF DIRECTORS

During the year under review the Directors of your Company completed their tenure in office. Election of Directors was held on time in January 2009 and all the existing Directors were re-elected for the next term of three years. The existing terms and conditions of the appointment of Chief Executive were approved by the Board for the next term of three years.

## PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of the Company and additional information as at June 30, 2009 is included in this report on page 48.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

## AUDIT COMMITTEE

The Audit Committee consists of three members, all three of whom are non-executive directors including the Chairman. The Board of Directors has set out Terms of Reference for the Audit Committee.

The Terms of Reference provide guidelines for establishing internal controls in the Company. The Committee manages adequately the system of internal control through the Internal Audit department and reviews effectiveness of operational and financial controls. The Committee periodically reviews financial statements of the Company and their compliance with the statutory and regulatory requirements, by virtue of the Terms of Reference. The Audit Committee is also responsible for the selection of external auditors and reviews the procedure with respect to the services performed by them.

## FUTURE PROSPECTS

Tang continues to maintain its leadership in the powdered beverage segment and even in these difficult times it managed to grow market share. The Company's aim is to continually strengthen its leadership position with aggressive and innovative marketing.

The new Lemon & Pepper flavoured Tang, a highly differentiated product has enjoyed initial success and acceptability on its international debut by the consumers in Sindh province. It has now been launched in the Punjab. This induction of new innovative flavours is part of our strategy to focus on expanding the current range of products we produce and market.

With a series of new innovations planned in the near future we expect the business to show recovery even amid economic pressures.

Due to pressure on the Pakistani rupee and increase in world sugar prices our margins are continuously under strain. The coming months also present a challenging picture.

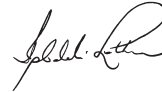
## ACKNOWLEDGEMENT

We wish to thank our customers for their faith and loyalty in our products, and their continued patronage. Without their support we would not have been able to achieve even these results in such trying times.

We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff whose dedicated commitment has been a source of strength to the Company.

On behalf of the Board of Directors



IQBAL ALI LAKHANI  
Chairman

Karachi : August 13, 2009